

Message Text

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FM AMEMBASSY ROME
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SUBJECT: LIBYAN SPOKESMEN PORTRAY FIAT INVESTMENT IN STRICTLY
ECONOMIC TERMS

REF:) ROME 19773 B) TURIN 417 C) TURIN 431 D) TURIN 2656

1. SUMMARY: IN PRESS CONFERENCE HELD AT ROME AS WELL AS
INTERVIEW WITH INFLUENTIAL WEEKLY L'ESPRESSO, LIBYAN NEGOTIATORS
ON FIAT INVESTMENT SUPPORT LINE TAKEN BY GIANNI AGNELLI, NAMELY,
THAT LIBYAN INVESTMENT MADE ON SOUND BUSINESS PRINCIPLES.

POLITICAL STRINGS ARE NOT ATTACHED TO DEAL, THERE IS QUID PRO QUO
IN VALUE RECEIVED, PRICE PAID FOR SHARES IS NOT ARTIFICIAL OR
EXCESSIVE, AND LIBYANS WILL ACT AS RESPONSIBLE MINORITY PARTNER IN
MANAGEMENT DECISIONS, WITH PROFIT AS THE GUIDING MOTIVE. END SUMMARY.

2. ABDULLA SAUDI, PRESIDENT OF LIBYAN ARAB FOREIGN BANK (LIBYA)
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AS WELL AS OF UNIOE BANCHE ARABE ED EUROPEE (UBAE), HELD PRESS

CONFERENCE DECEMBER 8 AT UBAE HEADQUARTERS IN ROME. PRESS MEETING, WHICH PROBABLY WAS GENERATED BY MOUNTING SPECULATION ABOUT LIBYA'S MOTIVES FOR FIAT INVESTMENT, FEATURED SKILLFUL PERFORMANCE BY SAUDI, WHO SOUGHT TO LAY TO REST FEARS THAT LIBYAN INVESTMENT WOULD INJECT OUTSIDE POLITICAL INFLUENCE INTO FIAT'S AFFAIRS. SAUDING WITH REGB MISALLATI, VICE GOVERNOR OF LIBYAN CENTRAL BANK, WILL HOLD SEATS ON FIAT BOARD OF DIRECTORS, STRESSED A) LIBYAN INVESTMENT MADE ON BASIS OF PROFIT CONSIDERATIONS, B) POLITICS WILL NOT AFFECT LIBYAN ROLE IN MANAGEMENT DECISIONS OF FIAT, C) INJECTION OF DLR 415 MILLION WILL PERMIT FIAT CARRY OUT FUTURE EXPANSION, D) ACTION IS GOOD FOR BOTH THE ECONOMY AND BALANCE OF PAYMENTS OF ITALY AND E) CONFIDENCE SHOWN BY LIBYANS IN ITALIAN ECONOMY SHOULD INSPIRE SIMILAR CONFIDENCE BY OTHER COUNTRIES.

3. AS FOR CHOICE OF FIAT, SAUDI STATED THAT LIBYA WAS LOOKING FOR SOUND INVESTMENT ABROAD AND AFTER CAREFUL REVIEW OF ALTERNATIVES, SELECTION FELL ON FIAT BECAUSE IT IS WELL MANAGED, WITH STRONG POSITION IN ITALY AND INTERNATIONALLY, HENCE WOULD OFFER POSSIBILITIES FOR LIBYAN JOINT VENTURES WITH FIAT IN THIRD COUNTRIES. MOREOVER, ITALY IS LIBYA'S LARGEST TRADING PARTNER AND EXISTING BUSINESS RELATIONS ARE STRONG. SAUDI ALSO ASSERTED IN THIS CONNECTION THAT SUCH INVESTMENT COULD BE A MODERATING FACTOR FOR WORLD CRUDE OIL PRICES BECAUSE LIBYANS CAN BRING INFLUENCE THROUGH THEIR PARTICIPATION IN FIAT TO REDUCE PRICE OF MANUFACTURE GOODS, WHICH IN TURN CAUSES INCREASES IN PRICE OF OIL.

4. RE QUESTION WHY LIBYANS PAID ROUGHLY THREE TIMES THE STOCK MARKET QUOTATION FOR SHARES INVOLVED, SAUDI REPLIED THAT PRICE PAID WAS JUSTIFIED BY FIAT'S STRONG FINANCIAL POSITION, WHICH WAS VERIFIED BY AUDIT OF FIAT ACCOUNTS BY REPUTABLE AUDITING COMPANY (PRICE WATERHOUSE). MOREOVER, HE HELD THAT THIN STOCK MARKET IN ITALY DOES NOT NECESSARILY REFLECT THE FINANCIAL PICTURE OF A COMPANY. IN THIS CONNECTION SAUDI ASSERTED THAT LIBYA PLACED VALUE ON OBTAINING REPRESENTATION ON FIAT BOARD AND PARTICIPATION IN MANAGEMENT. LIBYANS, HE SAID, DID NOT INVEST IN FIAT MERELY TO BE "COUPON CLIPPERS". AS ILLUSTRATION OF EXAGGERATED TREATMENT BEING GIVEN STOCK PRICE, HE CITED FACT THAT STOCK QUOTATION IN 1974, WHICH AT ABOUT 4,000 UNCLASSIFIED

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LIRE AND THEN PREVAILING EXCHANGE RATES EQUALS DLR 6.40 PER SHARE, COMPARES WITH PRICE OF 6,000 LIRE LIBYANS AGREED TO PAY, WHICH IS DLR 6.81 PER SHARE AT CURRENT RATES. (MILAN QUOTATIONS FIAT SHARES HAS INCREASED 32.5 PERCENT SINCE DECEMBER 1, DAY OF ANNOUNCEMENT.)

5. JOURNALISTS PRESSED SAUDI FOR INDICATION OF LIBYAN INTENTIONS RE PRESENT OR PROSPECTIVE ACTIVITIES OF FIAT INVOLVING

ISRAEL AND/OR RELATED POLITICAL ISSUES. SAUDI CONSISTENTLY TOOK LINE THAT LIBYANS WOULD BE GUIDED BY "BUSINESS CONSIDERATIONS" AND THAT LIBYA RECOGNIED ITS MINORITY POSITION ON FIAT BOARD. EXAMPLES AS FOLLOWS:

Q: WOULD POLITICAL CONSIDERATIONS DICTATE LIBYANS VOTING ON THE BOARD, IF FIAT FOR EXAMPLE, WERE TO OPEN AN ASSEMBLY PLANT IN ISRAEL?

A: AS IN ANY BANK OR BUSINESS, FIAT MUST BE GUIDED BY THE OUTLOOK FOR PROFITS, AND SUCH DECISION WOULD BE TAKEN BY THE FIAT BOARD, WHERE LIBYANS ARE ONLY A MINORITY. WE WOULD BE GUIDED BY WHAT IS GOOD FOR FIAT.

Q: LAZARD FRERES, NEW YORK INVESTMENT HOUSE, IS BOYCOTTED BY SOME ARAB COUNTRIES AND HAS A MAN ON THE BOARD OF FIAT. MIGHT THIS MAKE LAZARD FRERES RELATIONSHIP "UNPROFITABLE?"

A: FIAT MUST DECIDE WHETHER RELATIONSHIPS BRING SUCCESS OR PROFIT. THIS IS A DECISION FOR THE BOARD OF DIRECTORS.

Q: WHAT IS THE ATTITUDE OF LIBYAN PARTICIPATION TOWARD LA STAMPA, WHICH HAS SOMETIMES TAKEN PRO-ISRAELI LINE, AND IS LOSING MONEY (UNSTATED BACKGROUND TO QUESTION WAS ATTEMPT BY GHEDDAFI TO HAVE JEWISH EDITOR OF LA STAMPA FIRED ABOUT TWO YEARS AGO BECAUSE OF CRITICAL ARTICLES PUBLISHED BY LA STAMPA) ?

A: DEPENDS ON GOOD BUSINESS. WHATEVER ACTIVITY PERMITS FIAT TO STRENGTEHEN ITSELF, AND TO HAVE MORE PROFITS IS ALL RIGHT WITH US; IF IT IS NOT PRODUCTIVE, IT SHOULD BE DISCONTINUED.

6. IN LENGTHY INTERVIEW BY BOTH SAUDI AND MISALLATI IN DECEMBER 2 ISSUE OF ITALIAN LEFTIST WEEKLY L'ESPRESSO, SIMILAR LINE OF QUESTIONING EVOKED SIMILAR RESPONSES, WITH ADDITIONAL INSIGHT, ACCORDING TO MAGAZINE, THAT MOST NEGOTIATIONS TOOK PLACE WITH MEDIOBANCA (MEDIUM-TERM CREDIT BANK OWNED BY THREE ITALIAN STATE PARTICIPATION BANKS). ARTICLE IDENTIFIED PRINCIPAL ITALIAN UNCLASSIFIED

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NEGOTIATOR AS EMILIO CUCCIA, PRESIDENT OF MEDIOBANCA, WITH GABETTI OF I.F.I. AND ROMITI OF FIAT ENTERING INTO DIRECT NEGOTIATIONS AT FINAL STAGES. ONLY AT SIGNING WAS FACE-TO-FACE MEETING ARRANGED WITH FIAT PRESIDENT GIANNI AGNELLI. ALSO, LIBYAN BANKERS ARE QUOTED AS SAYING THEY ARE LOOKING FOR FURTHER SOUND INVESTMENTS BUT NOT AS "SAVIOURS OF BANKRUPTCIES, BUT FOR PROFIT".BEAUDRY

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